

Message Text

CONFIDENTIAL

PAGE 01 LONDON 01873 01 OF 02 051824Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 OFA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04

SIL-01 DLOS-04 /096 W

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TO SECSTATE WASHDC PRIORITY 8762

INFO AMEMBASSY BONN

RUFHDUPVM IIMBASSY BRUSSELS 9614

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

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C O N F I D E N T I A L SECTION 01 OF 02 LONDON 01873

E.O. 11652: XGDS-1

TAGS: EEC, EGEN, PFOR, UK, GW

SUBJECT: ANGLO/GERMAN RELATIONS ON EVE OF SCHMIDT VISIT

1. CHANCELLOR SCHMIDT'S VISIT TO BRITAIN THIS WEEKEND COMES AT THE END OF A YEAR-LONG PERIOD IN WHICH ANGLO/GERMAN RELATIMNS STEADILY SLIPPED FROM PRE-REFERENDUM HEIGHTS TO THE TRUCULENT WILSON/SCHMIDT EXCHANGES AT THE DECEMBER EC CMUNCIL MEETING IN ROME. BECAUSE THERE ARE FEW STRICTLY BILATERAL PROBLEMS BETWEEN THE TWO GOVERNMENTS, THE UK-FRG RELATIONSHIP HAS DEFINED ITSELF IN
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PAGE 02 LONDON 01873 01 OF 02 051824Z

THE LAST 12 MMNTHS PREDOMINANTLY WITHIN THE CONTEXT OF

THE EUROPEAN AOMMUNITY, AND EC ISSUES WILL DOMINATE SATURDAY'S DIQCUSSIONS. BOTH WILSON AND SCHMIDT WILL LIKELY GIVE THESE TALKS THE APPEARANCE OF RESTORING WARMTH TO THE RELATIONSHIP, BUT OBJECTIVE CONDITIONS AND THE STYLES OF THE TWO MEN MAKE A SHARP RISE IN TEMPERA-TURE UNLIKELY,

2. RELATIONS BETWEEN THE TWO COUNTRIES WERE ON A SOLID BASIS IN THE SPRING OF 1975 AS BRITAIN HEADED TOWARD THE REFERENDUM TO DECIDE WHETHER TO REMAIN IN THE COMMUNITY. SCHMIDT HAD LMNG BEEN OPENLY CONVINCED THAT THE COM-MUNITY WOULD BE INCOMPLETE WITHOUT BRITAIN, AND HE WAS ACTIVE IN SMOMTHING THE WAY FOR WILSON AND CALLAGHAN DURING THD BRITISH RENEGOTIATIONS. CLEARLY, SCHMIDT SAW, AND CONTINUES TO SEE, THE UK AS A COUNTERWEIGHT TO FRANCE AND A MEANS OF PREVENTING THE EC FROM REVERTING TO A TWO-SIDED FPANCO/GERMAN AFFAIR WITH AN INCREASED PO-TENTIAL FOR EXCESSIVE FRENCH INFLUENCE OR DEADLOCK. THE HONEYMOON, HOUEVER, DIDN'T LAST LONG AFTER THE SUCCESSFUL JUNE REFERENDUM. NO SINGLE ACT BY THE UK UPSET THE FRG MORE THAN ITS PROLONGED GO-IT-ALONE DEMAND FOR A SEPAR-ATE SEAT AT THE PARIS CONFERENCE ON INTERNATIONAL EC-ONOMIC CONPERATION. WE UNDERSTAND THAT SCHMIDT FELT, QUITE ACCURATELY, THAT HE HAD BEEN MADE TO LOOK FOOLISH. HE HAD GIVEN HIS ASSURANCES THAT BRITAIN COULD BE COUNTED ON TO PLAY ITS EUROPEAN PART AND THAT THE REFERENDUM HAD SECURELY BURIED PERFIDIOUS ALBION. THIS DOWNHILL SKID WAS ACCELERATED BY TWO OTHER FACTORS: 1) UK COMPLAINTS IN THE FALL THAT THE FRG WAS NOT RE-STIMULATING ITS ECONOMY FAST ENOUGH TO HELP ITS UK PARTNER IN THE COMMUNITY TO RECOVER ECONOMICALLY; AND 2) SCHMIDT'S WELL-PUBLICIZED CONTEMPT BOTH FOR THE FALTER-ING BRITISH ECONOMY, AND THE APPARENT LACK OF WILL ON THE PART OF THE WILSON GOVERNMENT TO DO ANYTHING TO SLOW THE ECONOMIC DETERIORATION.

3. THE BOTTOM CAME IN DECEMBER AT THE ROME EUROPEAN COUNCIL MEETING WHEN SCHMIDT REVEALED TO THE BRITISH PRIME MINISTER, TO HIS EC COLLEAGUES AND TO THE WORLD AT LARGE THAT EMPEROR WILSON WAS WEARING NO CLOTHES.
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PAGE 03 LONDON 01873 01 OF 02 051824Z

WILSON RETURNED TO LONDON TO A HUMILIATING SESSION IN PARLIAMENT O N THE SEPARATE-SEAT FIASCO AND, WE UNDER- STAND, SCHMIDT RETURNED TO BONN HOPING THE BRITISH HAD FINALLY LEARNED THAT SUCH ACTS OF ARROGANT INTRANSIGENCE ARE THE PROVILCE ONLY OF THE IV.&, AND ESPECIALLY NOT OF A COUNTRY THAT THE GERMANS HAVE UNKINDLY TAKEN TO CALLING "THE SICK MAN OF EUROPE." A SOURCE AT THE FRG EMBASSY TELLS US THAT THE GERMANS ARE ALSO APPALLED AT

WHAT THEY REGARD AS ANOTHER EXAMPLE OF BRITAIN'S EMPTY
BELLICOSITY--ITS CLUMSY HANDLING OF THE FISHING DISPUTE
WITH ICELAND.

4. SINCE ROME AND THE RESOLUTION OF THE SEPARATE-SEAT
ISSUE, THE LONDON/BONN TEMPERATURE HAS IMPROVED FROM
DISTINCTLY COLD TO LUKEWARM. WILSON, THROUGH THE SIX
POUND PER WEEK PAY LIMIT AND COROLLARY POLICIES, HAS
HAD SOME SUCCESS IN LOWERING BRITAIN'S INFLATION RATE.
THE SICK MAN, THOUGH STILL SERIOUSLY ILL, APPEARS TO BE
RECOVERING SLOWLY. ALSO, IN RECENT MONTHS WILSON AND
CALLAGHAN HAVE marginally IMPROVED THEIR EUROPEAN CRE-
DENTIALS BY INDICATING THEY WILL MAKE EVERY EFFORT TO

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PAGE 01 LONDON 01873 02 OF 02 051842Z

44

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AMEMBASSY COPENHAGEN

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 01873

MEET THE 1978 DEADLINE FOR DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT. FURTHER, WE UNDERSTAND FROM GERMAN SOURCES HERE THAT WITH ELECTIONS APPROACHING IN GERMANY, SCHMIDT WOULD LIKE TO SHOW GERMAN VOTERS SOME SIGN OF PROGRESS AT THE MARCH SUMMIT MEETING IN LUXEMBOURG, PARTICULARLY WITH REGARD TO THE TINDEMANS REPORT AND THE ISSUE OF MAJORITY VOTING IN THE COUNCIL. IN ANY EVENT, THE GERMANS WOULD WISH TO AVOID A REPLAY OF THE ROME SQUABBLE, A GOAL THE BRITISH CERTAINLY SHARE. ANOTHER
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PAGE 02 LONDON 01873 02 OF 02 051842Z

COOPERATIVE NOTE WAS STRUCK AT HELSINGOR WHEN WILSON AND SCHMIDT JOINED IN WARNING MITTERRAND OF THE DANGERS OF COOPERATION WITH THE COMMUNISTS. IN FACT, THERE ARE THOSE IN THE LABOR PARTY WHO HOPE TO FOSTER A BROAD PATTERN OF COOPERATION WITH THE SPD WHICH WOULD EVENTUALLY LEAD IN THE PERIOD AHEAD TO A CLOSELY-KNIT SOCIAL DEMOCRATIC AND INCIDENTALLY ANTI-COMMUNIST ALLIANCE. BUT PERHAPS THE MOST FUNDAMENTAL ATTRACTION REMAINS THAT SCHMIDT STILL HAS EVERY REASON TO DESIRE A COUNTERWEIGHT TO FRENCH INFLUENCE IN THE COMMUNITY, AND BRITAIN, WITH ALL ITS DIFFICULTIES, CONTINUES TO BE THE ONLY REALISTIC CANDIDATE FOR THAT ROLE.

5. ALL THE SAME, WE DON'T EXPECT SATURDAY'S DISCUSSIONS TO RESTORE COMPLETELY THE GLOW TO ANGLO/GERMAN RELATIONS. THE BRITISH ECONOMY REMAINS IN DIFFICULTY AND SCHMIDT, IN AN ELECTION YEAR, PRESUMABLY WILL RESIST WILSON'S EFFORTS TO CONVINCING HIM TO FURTHER STIMULATE THE GERMAN ECONOMIC MACHINE IN ORDER TO PULL BRITAIN ALONG BEHIND. IN ADDITION, THE GERMANS MUST BE DEEPLY WORRIED ABOUT THE PROJECTED UK SECOND ROUND OF DEFENSE CUTS AND THE LONG-TERM DEPENDABILITY OF THE BRITISH COMMITMENT TO NATO AND THE CENTRAL FRONT. ALTHOUGH WILSON WILL NO DOUBT ATTEMPT TO REASSURE THE CHANCELLOR THAT BRITAIN WILL REMAIN FIRMLY AT THE GERMAN SIDE, SCHMIDT, THE ECONOMIST, MAY WELL WONDER WHETHER BRITAIN WILL OVER TIME UNDERTAKE THE BASIC TRANSFORMATION OF ATTITUDE NECESSARY TO INCREASE PRODUCTIVITY AND PRODUCE A HEALTHY AND VITAL BRITISH ECONOMY. AND, DESPITE SCHMIDT'S CONCERNS ABOUT UK DEFENSE, HMG IS UNDER NO ILLUSION THAT THE CHANCELLOR WILL BE WILLING TO DO MUCH TO MEET BRITISH HOPES FOR INCREASED HELP BY WAY OF OFFSET ARRANGEMENTS. IT IS THIS ISSUE WHICH BRITISH OFFICIALS BELIEVE HOLDS THE MOST SERIOUS

RISK OF PRODUCING AN EXPLOSION ON SATURDAY. THE FCO AND MOD WISH WILSON TO RAISE OFFSET WITH SCHMIDT--SINCE NO OTHER FRG OFFICIAL WILL TALK ABOUT IT--BUT WILL BE HOLDING THEIR BREATH IF THE PRIME MINISTER DECIDES TO PUT THE BITE ON THE CHANCELLOR AT CHEQUERS. FINALLY, THE CONVENTIONAL WISDOM IN LONDON HAS IT THAT THE TWO LEADERS DON'T LIKE EACH OTHER VERY MUCH. THE PRIME MINISTER IS SAID TO SEE SCHMIDT AS AN ARROGANT AND UN-CONFIDENTIAL

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PAGE 03 LONDON 01873 02 OF 02 051842Z

SYMPATHETIC CPITIC OF THE BRITISH SCENE. THE CHANCELLOR, ACCORDING TO WHISPERS HERE, VIEWS WILSON AS A WEAK AND UNTRUSTWORTHY SCHEMER.

6. OUR JUDGMENT IS. THEN, THAT THE ANGLO/GERMAN RELATIONSHIP WILL CONTINUE TO BE SOMEWHAT STRAINED BENEATH THE SURFACE FOR THE FORESEEABLE FUTURE. WILSON AND CALLAGHAN, NOTWITHSTANDING THEIR RECENT NODS TOWARD THE COMMUNITY, ARE NOT INSTINCTIVELY "GOOD EUROPEANS", AND WILL NOT COMMIT THEMSELVES TO ANY IMPORTANT STEPS TOWARD EUROPEAN CONSTRUCTION IN THE NEAR FUTURE. THE UK ECONOMY IS FAR FROM RECOVERY, AND SCHMIDT IS UNLIKELY TO PROVIDE GERMAN BUCKETS TO BAIL OUT THE LEAKY BRITISH BOAT. FROM LONDON, IT WOULD APPEAR THAT ANY "NATURAL" AND HARMONIOUS LONDON/BONN RELATIONSHIP, WHICH MANY IN BOTH COUNTRIES DESIRE, MUST AWAIT A HEALTHY BRITISH ECONOMY AND A BRITISH GOVERNMENT MORE FIRMLY COMMITTED TO THE COMMUNITY.

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